

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5040-01  
Bill No.: SB 944  
Subject: Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 3, 2010

---

Bill Summary: Would create a state and local sales tax exemption for gratuities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Conservation Commission	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Parks, and Soil and Water	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Local Government</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

### FISCAL ANALYSIS

#### ASSUMPTION

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there would be no added cost to their organization as a result of this proposal.

This proposal would provide a sales tax exemption for gratuities. To the extent that gratuities may have been taxed in the past, this proposal would reduce general and total state revenues, and local revenues. BAP does not have an estimate of taxes collected on gratuities.

Officials from the **Department of Conservation** (MDC) assume this proposal would create a state and local sales tax exemption for gratuities. MDC officials stated that this proposal would have a negative fiscal impact on MDC funds. However, MDC is unable to provide the estimated amount and will rely on DOR for the fiscal impact of the legislation.

Officials from the **Department of Labor and Industrial Relations**, the **Department of Revenue**, and the **City of Centralia** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Revenue** (DOR) also stated that mandatory tips which are added to patrons' guest bills are reported as taxable sales, but DOR did not have information as to the amounts of gratuities or related sales tax payments.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would create a sales tax exemption on mandatory and voluntary gratuities provided in conjunction with the receipt of property or services regardless of whether such property or service is subject to sales tax.

DNR officials stated that adding exemptions from sales tax would have a negative effect on total state revenue, and adding exemptions from sales tax would decrease the amount of funding available in the Parks & Soils Sales Tax Funds.

Officials from **Platte County** assume the impact of this proposal on their organization would be minimal.

Officials from **St. Louis County** assume the impact of this proposal on their organization would not be great.

ASSUMPTION (continued)

**Oversight** was not able to locate information regarding aggregate amounts of gratuities in Missouri; however, the Internal Revenue Service reported that tip income for the United States was \$18 billion in 2003. If Missouri accounted for an average of 1.8% of the federal total, the state total would be \$324 million. The sales tax on that amount could be calculated as follows.

General Revenue Fund	3%	\$9,700,000
School District Trust Fund	1%	\$3,200,000
Conservation Commission Fund	1/8%	\$405,000
Parks, and Soil and Water Funds	1/10%	\$324,000
Local governments	Average 2.5%	\$8,100,000

For fiscal note purposes, Oversight will include a reduction in revenue in excess of \$100,000 for those state funds which receive sales tax revenues, and for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
---	---------------------	---------	---------

**GENERAL REVENUE FUND**

<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
---	----------------------------------	----------------------------------	----------------------------------

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>
---	---	---	---

**CONSERVATION COMMISSION  
FUND**

<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
---	----------------------------------	----------------------------------	----------------------------------

<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>
---	---	---	---

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>PARKS, AND SOIL AND WATER FUND</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2011 (10 Mo.)	 FY 2012	 FY 2013
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses involved in hospitality or entertainment industries, where gratuities would be exempted by this proposal.

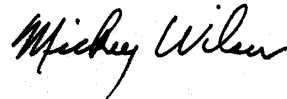
### FISCAL DESCRIPTION

The proposed legislation would create a state and local sales tax exemption for gratuities.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of Administration  
Division of Budget and Planning  
Department of Conservation  
Department of Labor and Industrial Relations  
Department of Natural Resources  
Department of Revenue  
Platte County  
City of Centralia  
St. Louis County



Mickey Wilson, CPA  
Director  
March 3, 2010